

North Dakota REV-E-NEWS



Pam Sharp, Director

April 2007

OFFICE OF MANAGEMENT AND BUDGET
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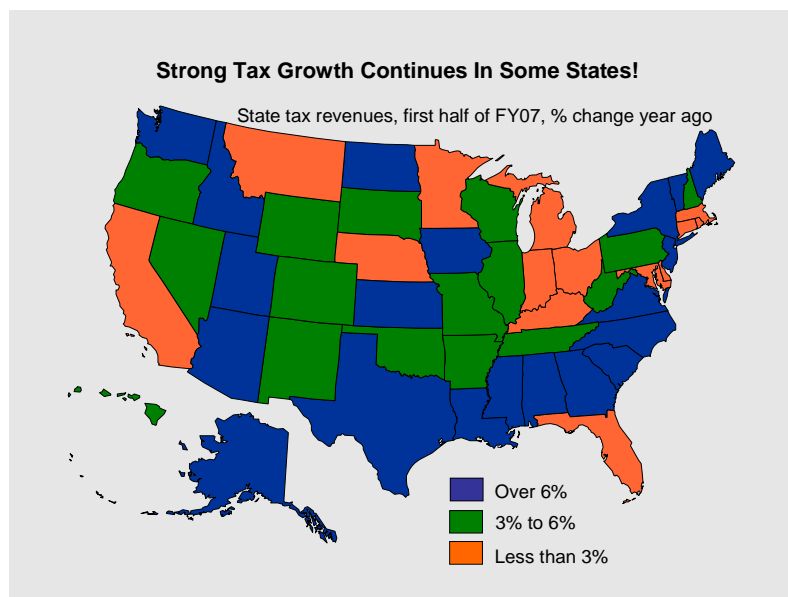
MESSAGE FROM THE DIRECTOR

North Dakota continues to enjoy a vibrant, growing economy. State tax collections in March exceeded the original legislative forecast by over 21.0 percent and exceed the 2005-07 biennium to date forecast by 18.0 percent.

However, not all states are enjoying such robust growth. Moody's Economy.com noted in a recent *Précis U.S. Macro* publication, that weaknesses in regional economies are reflected in recent revenue growth. "In particular, tax collections have been softer in the Great Lakes states, where the automobile industry and other old-line manufacturers are struggling. Revenue growth has decelerated

noticeably in states where housing market corrections are in full swing, such as California and Florida."

The following chart, published by Moody's Economy.com, shows how North Dakota stands out in the upper Midwest with strong revenue growth of over 6 percent, in stark contrast to Montana, Minnesota, and Nebraska with year over year growth of less than 3 percent. South Dakota and Wyoming, with growth between 3 and 6 percent, fared better than many other states, but still fell short of North Dakota.



OIL ACTIVITY

The price of crude in North Dakota continues above \$50 per barrel. December prices averaged \$54 per barrel, January prices \$46 per barrel, and February prices \$51 per barrel. The current price is around \$57 per barrel. Production continues strong and increased in February to over 116,000 barrels per day. Production averaged 114,500 barrels per day in December and 114,800 barrels per day in January. Drilling permit activity has declined from 42 permits issued in December to 36 permits issued in January and 25 permits issued in February. The current rig count is 36 rigs, the same number as operating in the state one year ago.



Comments or Questions?

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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2005-07 BIENNIUM
March 2007

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2005 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	March 2005 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	21,043,000	27,680,932	6,637,932	31.5%	659,698,000	725,489,753	65,791,753	10.0%
Motor Vehicle Excise Tax	5,810,000	5,529,603	(280,397)	-4.8%	117,218,000	107,113,229	(10,104,771)	-8.6%
Individual Income Tax	6,249,000	4,420,250	(1,828,751)	-29.3%	374,045,000	458,121,175	84,076,175	22.5%
Corporate Income Tax	5,878,000	13,909,372	8,031,372	136.6%	62,119,000	181,660,276	119,541,276	192.4%
Insurance Premium Tax	8,550,000	6,219,145	(2,330,855)	-27.3%	55,737,000	44,999,706	(10,737,294)	-19.3%
Financial Institutions Tax	59,000	1,065,583	1,006,583	1706.1%	2,799,000	5,699,480	2,900,480	103.6%
Oil & Gas Production Tax*					39,838,800	45,970,447	6,131,647	15.4%
Gaming Tax	200,000	30,489	(169,511)	-84.8%	17,730,000	15,409,225	(2,320,775)	-13.1%
Lottery					5,000,000	6,300,000	1,300,000	26.0%
Interest Income	314,000	2,303,799	1,989,799	633.7%	7,610,000	27,319,597	19,709,597	259.0%
Oil Extraction Tax*					31,161,200	25,029,553	(6,131,647)	-19.7%
Cigarette & Tobacco Tax	1,340,000	1,580,411	240,411	17.9%	32,693,000	39,144,141	6,451,141	19.7%
Departmental Collections	2,461,000	1,518,237	(942,763)	-38.3%	42,808,021	46,732,295	3,924,274	9.2%
Wholesale Liquor Tax	455,000	437,297	(17,703)	-3.9%	10,714,000	11,136,673	422,673	3.9%
Coal Conversion Tax	2,005,000	2,003,074	(1,926)	-0.1%	42,585,000	43,257,335	672,335	1.6%
Mineral Leasing Fees	(241,667)	(869,657)	(627,990)	259.9%	5,308,333	12,215,457	6,907,124	130.1%
Bank of North Dakota-Transfer					30,000,000	30,000,000	672,335	2.2%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,225,000	1,225,000		0.0%
Other Transfers		1,148	1,148	100.0%	72,750,000	73,020,920	270,920	0.4%
Total Revenues and Transfers	54,122,333	65,829,682	11,707,349	21.6%	1,611,039,354	1,899,844,264	289,477,245	18.0%

* Oil and gas production and extraction tax collections totaled \$11.3 million in March. Because the \$71.0 million statutory cap for the 2005-07 biennium has been attained, no additional oil tax collections will be deposited in the general fund during the 2005-07 biennium. Through March, oil tax collections totaling \$132.1 million have been deposited in the permanent oil tax trust fund and are not reflected on this report.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2005-07 BIENNIUM
March 2007

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2005	March 2007	Variance	Percent	2003-05	2005-07	Variance	Percent
Sales Tax	25,293,434	27,680,932	2,387,498	9.4%	624,611,847	725,489,753	100,877,906	16.2%
Motor Vehicle Excise Tax	5,232,697	5,529,603	296,905	5.7%	111,049,908	107,113,229	(3,936,679)	-3.5%
Individual Income Tax	6,273,728	4,420,250	(1,853,479)	-29.5%	361,917,384	458,121,175	96,203,791	26.6%
Corporate Income Tax	7,319,151	13,909,372	6,590,221	90.0%	71,598,132	181,660,276	110,062,144	153.7%
Insurance Premium Tax	8,535,716	6,219,145	(2,316,571)	-27.1%	50,000,048	44,999,706	(5,000,342)	-10.0%
Financial Institutions Tax	661,310	1,065,583	404,273	61.1%	3,006,886	5,699,480	2,692,594	89.5%
Oil & Gas Production Tax*					45,534,044	45,970,447	436,402	1.0%
Gaming Tax	37,491	30,489	(7,001)	-18.7%	18,109,864	15,409,225	(2,700,638)	-14.9%
Lottery					1,432,434	6,300,000	4,867,566	339.8%
Interest Income	275,057	2,303,799	2,028,742	737.6%	4,166,944	27,319,597	23,152,654	555.6%
Oil Extraction Tax*					25,465,956	25,029,553	(436,402)	-1.7%
Cigarette & Tobacco Tax	1,324,345	1,580,411	256,067	19.3%	34,697,988	39,144,141	4,446,154	12.8%
Departmental Collections	1,473,908	1,518,237	44,329	3.0%	105,649,191	46,732,295	(58,916,895)	-55.8%
Wholesale Liquor Tax	375,062	437,297	62,235	16.6%	10,337,307	11,136,673	799,367	7.7%
Coal Conversion Tax	1,924,888	2,003,074	78,186	4.1%	41,133,302	43,257,335	2,124,033	5.2%
Mineral Leasing Fees	44,077	(869,657)	(913,734)	-2073.0%	7,133,191	12,215,457	5,082,266	71.2%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,221,675	1,225,000	3,325	0.3%
Other Transfers	2,677	1,148	(1,529)	-57.1%	87,366,891	73,020,920	(14,345,971)	-16.4%
Total Revenues and Transfers	58,773,541	65,829,682	7,056,141	12.0%	1,634,432,992	1,899,844,264	265,411,272	16.2%

* Oil and gas production and extraction tax collections totaled \$11.3 million in March. Because the \$71.0 million statutory cap for the 2005-07 biennium has been attained, no additional oil tax collections will be deposited in the general fund during the 2005-07 biennium. Through March, oil tax collections totaling \$132.1 million have been deposited in the permanent oil tax trust fund and are not reflected on this report.

Revenue Variances

Compared to the February 2007 forecast, March collections were approximately \$1.6 million higher than projected, resulting in a cumulative variance of \$5.1 million more than expected since January 2007.

Revenue collections for the month exceeded the March 2005 legislative forecast by \$11.7 million. Biennium to date collections exceed the forecast by \$289.5 million, or 18.0 percent. Notable variances in March are as follows:

Sales tax collections exceeded the forecast by \$6.6 million. The previous month, collections fell short of projections by \$5.0 million as a result of timing. Biennium to date collections exceed the forecast by \$65.8 million, or 10 percent. Current biennium collections exceed the previous biennium by \$100.9 million, or 16.2 percent.

Motor vehicle excise tax collections again fell short of projections. The shortfall is \$280,000 for the month and \$10.1 million for the biennium. High fuel prices are a likely contributor to flat or declining automobile sales. Consumer demand for smaller, more fuel efficient vehicles, many of which are lower priced, could be contributing to the decline in gross sales volume.

Individual income tax collections were \$1.8 million less than forecast; however, biennium to date

collections exceed the forecast by \$84.1 million. Compared to the same time period during the 2003-05 biennium, current biennium collections have grown by \$96.2 million, or 26.6 percent.

Corporate income tax collections exceeded the forecast by \$8.0 million for the month and \$119.5 million for the biennium.

Oil and gas collections for the month were \$11.3 million. However, North Dakota Century Code Section 57-51.1-07.2 provides that all oil tax collections in excess of \$71.0 million be deposited in the permanent oil tax trust fund, rather than the general fund. The general fund cap was reached in March 2006 and all March collections received after reaching the \$71.0 million cap and all remaining collections during the 2005-07 biennium will be revenue for the permanent oil tax trust fund, rather than the general fund. Through March, \$132.1 million of oil tax collections have been deposited in the permanent oil tax trust fund.

Cigarette and tobacco tax collections continue to exceed the legislative forecast -- by \$240,000 for the month and \$6.5 million for the biennium. This appears, in part, to be a result of cross-border buying by Minnesota residents avoiding the comparatively higher cigarette and tobacco tax rates in their home state.